

**Stimulus:** As regular readers of this laptop missive know, I supported the Rescue Plan (TARP program) last October and believe that this program, along with the aggressive monetary actions by the Fed, prevented a collapse of our still damaged financial system. I also support a large stimulus plan in order to hasten a bottom to this economy and hopefully save many people their jobs, homes, and businesses.

But the Democrat's \$825 billion stimulus plan now working its way through the House, is nothing short of awful. We are expected to vote on this plan on Wednesday. In all honesty, I refuse to call it a "stimulus" plan since it contains so few stimulative characteristics. Instead, I will hereinafter refer to it as the "Big Spending" plan.

Let me explain.

The purpose of any stimulus plan is to take the recession which we are currently mired in and make it shorter and shallower. If the stimulus doesn't do that, then it will have a negative effect since it will increase borrowing, increase deficits, and generally retard medium and longer term growth prospects. Secondly, every dollar spent by government in a stimulus package should have a multiplier that creates many more dollars worth of jobs and growth in the private sector. If the dollar spent doesn't do that, then it is just spending and not really stimulative.

This 'Big Spending plan' will do neither. First of all, the Congressional Budget Office says that only \$26 billion of this amount will actually be spent in the next 6 months, even though the bill calls for all the grants and contracts to be let out within 90 days. So, the recession will likely be a long ways towards bottoming out on its own before any of this spending has whatever limited effect it might have. Secondly, very little of this money has any multiplier effect. If you had spent some money to establish a national broadband WI-FI infrastructure, many jobs would be created in the private sector to take advantage of that new infrastructure and national productivity would rise. But, if you spend money to paint a federal building, the only job created is the one for the guy painting the building.

This 'Big Spending Bill' is chock full of that "paint a government building" type of spending. I don't buy the Keynesian economic theory that government spending can be such a grand thing. But John Maynard Keynes must be rolling over in his grave at the suggestion that this stuff will somehow have a substantial multiplier. I could go on for pages about the bad things in this bill,

but here are a few tidbits for you:

- According to the Democrats' own committee reports, this bill will create 3.7 million jobs. That means the total cost per job is \$222,972.
- There are 152 specific and separate appropriations in the bill.
- Despite President Obama's call for infrastructure spending, the bill contains only \$30 billion for roads and highways. That's less than 4% of the total bill
- The bill however contains \$141 billion for education spending in order to "prevent teacher layoffs." We know the problems schools are having. We can debate whether more money equates to better schools. But you cannot argue that this money creates any short-term stimulus or that there are any downstream jobs created. If you want to do this, fine. But don't try to fool people by calling it stimulus. It's just spending.
- There's \$50 million for the National Endowment for the Arts; \$200 million to pay AmeriCorps "volunteers" (how are you a volunteer if you are paid anyway?); \$600 million for the government to buy new cars (although you maybe can't afford one); and \$500 million to "modernize" the NIH campus

But one of the biggest areas of disagreement is the so-called "tax cut" portion of the bill. The majority of the "tax cuts" ( \$145 billion) will be a \$500-\$1000 rebate which no one earning over \$75,000 (\$150,000 joint return) will receive but anyone can receive it even if they don't pay taxes. This is not a tax cut plan; it is a wealth transfer plan. The people who pay the most taxes get nothing and the people who already pay no taxes get something. It was debate over this section of the bill that caused President Obama to quip "I won" to explain to Republican leadership why he would not change this section of the bill. This is similar to the "rebates" which were sent out in the middle of last year (which I opposed). Since then, it has been widely accepted as a stimulative failure by almost every economist. So why repeat that failure again? Perhaps the real goal is to "Spread the wealth around" rather than stimulus?

This is part of the battle that is just beginning. In justifying this part of the bill, the President said that people getting these rebates do pay taxes because they pay payroll taxes on Social Security and Medicare even if they pay no federal income taxes. That's true. But we have always treated those as separate programs and you cannot receive Social Security or Medicare unless you pay in. Judging by his statements this weekend, it begs the question, is President Obama heading towards a system where you get all benefits without paying in or where all taxes paid are fungible and there is no separate Social Security fund? I hope not, but that's why this battle is seen as having greater implications by both sides.

There is a lot more to talk about. Like how this Spending Bill is as big as the entire federal budget (except Social Security and Medicare) was just 2 years ago. Or how this bill will cost

more than the entire military costs in 2 years. Or how we may get to a one year deficit bigger than the cumulative deficits in Bush's second term. Or that there are a few things in it I think are OK. Or how the Republican proposals frankly didn't thrill me either.

But tomorrow, President Obama apparently will address House Republicans on this subject. I will report to you after that meeting.

Don't you worry, I have my own ideas. More on that in a later report.

Until tomorrow, I remain respectfully,

Congressman John Campbell